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Summary: Foreign equity investment statistics for 1980 showed contrasting trends; a gain of 25% in approvals but a decline in arrivals of about the same percentage, both compared with 1979. While U.S. equity investments showed about twofold increases in both approvals and arrivals, the Japanese as well as all other nationalities recorded absolute declines in terms of both approvals and arrivals. On an approval basis, investments in 1980 were concentrated in the areas of chemicals, electronics, transport equipment and banking. In view of the insignificant share of foreign equity investment relative to overall investment in Korea and the small share of foreign equity relative to overall foreign capital inflows, ROKG policy continued toward a gradual liberalization of investment restrictions in 1980 in such areas as foreign ownership percentage, minimum investment and types of investment. With further relaxations scheduled in early 1981, the ROKG has increased the goal for foreign equity investments in 1981 by about 50%, to $200 million and $150 million for approvals and arrivals, respectively. End Summary.

Enclosures:

Tabis 1 - 10

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New Investment Approvals Rise But Arrivals Fall in 1980

Despite an absolute decline in Japanese investment(they are the largest investors in Korea),new investment approvals increased from $113 million in 1979 to $141 million in 1980, owing predominantly to the bullish trend in new investments from the U.S. American investment inflows jumped from $43 million in 1979 to $76 million in 1980. In 1979, new U.S. investment approvals overtook new Japanese investment, and in 1980 was nearly double the Japanese figure. As a result, the U.S. share of equity investment approvals rose by about two percentage points to 35% in 1980, while that of the Japanese declined by the same magnitude to 54% (Table 1).

Contrary to the rise in investment approvals, arrivals recorded a substantial decline from $127 million in 1979 to $96 million in 1980, which appears to be the result of both political and economic uncertainties that prevailed in the country throughout the year. Strikingly, however, arrivals from U.S. sources more than doubled in 1980 to 360 million, while those from Japan and other countries dropped to less than half the 1979 figures. (Table 2).

General Electric and Western Electric Enter Korea for Joint Ventures with Samsung and Gold Star; Gulf Oil Departs

General Electric and Western Electric entered joint ventures with Samsung and Gold Star, respectively, the largest electronics manufacturers in Korea, for electric and electronic production. Kellogg also entered the Korean food industry jointly with the Lotte group. However, the bulk of new U.S. equity investments were additional investments in existing projects. In this category, Dow Chemical, General Motors and Caltex together accounted for $46 million of the total $76 million of U.S. investment approvals. (Table 3).

In contrast to these new and additional entries, Gulf Oil, which was the earliest major foreign investors here, has departed after 18 years in Korea. Because of Gulf's withdrawl, U.S. equity investments reduced, withdrawn and cancelled in 1980 amounted to $35 million, slightly less than one-half of the new investment (Table 4).

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Investments Continue To Concentrate on Chemicals, Electronics and Tourism, But Other Service Industries Also Grow Fast

New investments in 1980 continued to concentrate in chemicals and electronics, but significant investments were also made in service industries including banking, transport and storage, and construction and services. Cumulative investment approvals as of the end of 1980 still indicate predominance in chemicals (18.7%), hotel and tourism (15.1%), and electronics (14.7%), which together account for almost 50% of the total. Food and other consumer goods investments, which began to enter in 1979, have shown a pause in 1980, probably a reflection of the 1980 recession (Table 5). Investment arrivals also indicate a trend similar to approvals, with only slight variance in ranking (Table 6).

Tables 7 and 8 provide a breakdown of investment approvals and arrivals by major investors, U.S. and Japan, and by industry. The data exclude, however, U.S. multinationals' investment originating from outside the U.S., and therefore fails to present the entire U.S. investment. Nevertheless, the tables offer information as the concentration of investment, etc. According to the tables, U.S. investments are concentrated in electronics, transport equipment, construction and services, fertilizers and chemicals, while those of the Japanese are in hotels and tourism, electronics, chemicals, textiles, and machinery and parts.

Substantial Foreign Investment Under Dominant Control of Foreign Investors

Despite rigid controls by the ROKG to restrict foreign investment in excess of 50% ownership, EPB statistics show that more than 40% of total foreign investment approvals to date are under the dominant control (51% or more) of foreign investors. Twenty-nine percent of foreign investment in Korea is wholly foreign-owned. This was the result of the ROKG's waiver of ownership restrictions on specific strategic industries including chemicals, electronics, etc. (Table 9). The bulk of this foreign-majority investment was made before 1975, including an overwhelming majority of such investment owned by U.S. interests.

The ROKG has proposed changes in the law governing foreign investment here; these revisions are not yet final and it is too early to judge the impact on the foreign investment climate here.

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Profit Remittances Drop Slightly in 1980

Overall profit remittances dropped slightly from $55 million in 1979 to $47 million in 1980, which appears to be the result of stagnant economic conditions in the country. While profit remittances by U.S. firms in 1980 also declined slightly to $19.6 million, arrivals of U.S. investment more than doubled, which resulted in a sharp decline in the cumulative ratio of U.S. profit remittances to total arrivals from 90% in 1979 to 77% in 1980.

Profit remittances by the Japanese and other investors showed a mixed trend, but were common with respect to the steady increases in cumulative ratio of remittances to total arrivals, 13% and 24%, respectively, both of which are still substantially below the U.S. level (Table 10).

Part of the marked discrepancy in the ratio of remittances to arrivals between U.S. and other investors is explained by the earlier arrival of major U.S. investments (beginning in the early 1960's as opposed to Japanese investment, which began in the early 1970's). Another factor is the actual ownership of foreign-invested capital; a significant portion of Japanese investment is by Korean residents in Japan, who have relatives here as well as other interests which reduce the need for them to remit capital. Finally, there is probably more of a tendency on the part of Japanese investors to look to the longer term and reinvest profits here. Such sums would be counted as new investment.

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Table 1. Foreign Equity Investment By Country, 1962 Thru 1980 (Approvals)

($ Thousands) 1/

	1979	1980	Cum.1962 Thru 1980 2/	%
U.S. 3/	42,318(11)	76,188(14)	377,202(138)	32.7
Of Which Attributable to Foreign Subsidiaries of U.S. Multinational Corps. 3/	6,643 (0)	30,221 (0)	141,861 (7)	12.3
Japan	42,152(26)	39,235(17)	619,118(646)	53.7
Germany, FR	6,193(1)	4,810(2)	23,338(19)	2.0
Hong Kong	445(1)	366(0)	10,360(10)	0.9
France	1,404(2)	0	11,636(8)	1.0
United Kingdom	7,961(2)	1,538(1)	21,240(8)	1.8
Others	12,887(4)	18,478(2)	90,837(35)	7.9
Total	113,360(47)	141,115(36)	1,153,769(862)	100

1/Figures in parenthesis indicate number of new projects.
2/Net of cancellations and reductions effected thru 1980 which were attributed to the year the projects were originally approved, while increases of foreign equity investment in existing projects were accounted for in the year such increases were effected.
3/EPB data have been adjusted to include easily identifiable investments of U.S. multinationals in this category rather than as an investment sourced in the country in which the subsidiary is incorporated.

Source: Economic Planning Board.

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Table 2. Foreign Equity Investment Arrivals, 1979-80
($ Millions)

	1979	1980	Cum. 1962 - Thru 1980	%
U.S. 1/	29.9	60.4	252.0	22.6
Japan	55.0	24.6	620.1	55.3
Others 2/	43.1	11.2	228.5	20.5
Total	12.7	96.2	1,100.6	100.0

1/ Excludes foreign subsidiaries of U.S. multinationals, since the breakdown for this category is not available from EPB on an arrival basis.
2/ Includes arrivals of investments by foreign subsidiaries of U.S. multinationals.

Source: Economic Planning Board.

Table 3. U.S. Equity Investment Approved in 1980

U.S. Investor (Local Partner)	Date Approved	Amount ($000)	(% U.S.)	Products
A. New Projects				
ITC Solar Int'l Corp. (Korea ITC Solar, Ltd.)	1/24/80	100	(25)	Metals
Condor Ply-metal Company (Hankuk Plymetal Co. Ltd.)	1/25/80	313	(50)	Misc. Goods
Seagram & Sons Inc. (Doosan Seagram Co., Ltd.)	4/21/80	970	(50)	Foods
ESSCO Inc. (Hankuk Boughton Co., Ltd.)	5/26/80	700	(50)	Chemicals
Entech Specialty Chemicals Corp. (Okong Swift Co., Ltd.)	5/26/80	550	(40)	Chemicals
Quigley Company Inc. (Korea Pfizer Quigley Co., Ltd.)	8/21/80	400	(50)	Misc. Goods
General Electric Company (Samsung Electric Co., Ltd.)	8/25/80	3,185	(49)	Electric/Electronics
Kellogg Company (Hongeim-Kellogg Co., Ltd.)	11/29/80	2,500	(50)	Foods
PMI Group Inc. (Hyupsin Machinery Co., Ltd.)	12/29/80	231	(30)	Machinery
Western Electric Company (Gold-Star Semiconductor Co., Ltd.)	12/29/80	9,805	(40)	Electronics

Table 3 (Cont'd)

U.S. Investor (Local Partner)	Date Approved	Amount ($000)	(% U.S.)	Products
Amkor International Ltd. (Hanam Co., Ltd.)	12/29/80	1,138	(49)	Foods
Western California Trading Co. (Nasung Co., Ltd.)	5/22/80	300	(100)	Electronics
C.H. Kang (Corox-Tokyo Co., Ltd.)	6/19/80	10	(1)	Machinery
K.S. Kim (Kaya Metals Co., Ltd.)	9/4/80	30	(10)	Metals
Sub-total: New Investment		$20,332		
B. Additional Investment 1/				
Kaiser Engineers & Const. Inc. (Korea Kaiser Engineering Co., Ltd.)	2/25/80	6	(50)	Service
American Microsystems Inc. (Daehan Microsystems Electronics Co., Ltd.)	3/6/80	440	(100)	Electronics

1/ Excludes investments originating domestically, i.e., reinvestment of dividends received and investment increases effected by capitalization of reserves.

Table 3 (Cont'd)

U.S. Investor (Local Partner)	Date Approved	Amount ($000)	(% U.S.)	Products
Dow Chemical Corp. (Korea Dow Chemical Co., Ltd.)	3/19/80	18,000	(100)	Chemicals
General Motors Corp. (Saehan Motors Co., Ltd.)	3/18/80	15,048	(50)	Automobiles
Dow Chemical Corp. (Korea Dow Chemical Co., Ltd.)	7/14/80	4,000	(100)	Chemicals
Continental Group Inc. (Daewan Canning Co., Ltd.)	8/4/80	1,266	(49)	Metal Cans
Citibank Overseas Investment Corp. (Whashin-Citicorp Leasing Co., Ltd.)	9/30/80	184	(50)	Leasing
TRW Corp. (Shin Han Valve Co., Ltd.)	9/30/80	199	(50)	Metals
Ervin Industries Inc. (Seoul Ervin Co., Ltd.)	11/13/80	159	(49)	Machinery
American Can Corp. (Manil Can Co., Ltd.)	11/10/80	2,331	(40)	Cans
Air Products Corp. (Hankuk Gas Co., Ltd.)	11/29/80	1,601	(49.8)	Chemicals
The Foxboro Company (Hanmong Foxboro Co., Ltd.)	12/23/80	40	(49)	Machinery

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Table 3 (Cont'd)

U.S. Investor (Local Partner)	Date Approved	Amount ($000)	(% U.S.)	Products
Diamond Shamrock Corp. (Korea Potassium Chem. Co., Ltd.)	12/30/80	1,000	(50)	Chemicals
Pacific Int'l Ricemill Inc. (Daehan Bulk Terminal Co., Ltd.)	12/30/80	2,200	(44.2)	Storage
Caltex Overseas Ltd. (Honam Oil Refinery Co., Ltd.)	12/24/80	7,631	(50)	Petroleum Refining
American Fastner Industries Inc. (Hankuk Electronic Bulb Co., ltd.)	3/28/80	222	(41.5)	Metals
Sub-total: Additional Investment		55,956		
TOTAL: NEW AND ADDITIONAL INVESTMENT		70,188		

Table 4. U.S. Equity Investment Reductions, Cancellations and Withdrawals in 1980

U.S. Investor (Local Partner)	Year Orig. Approved	Effective Date	Amount ($000)	(% U.S.)	Products
A. Reductions					
Scott Paper Co. (Saangyong Scott Paper Co., Ltd.)	1978	1/17/80	20	(49)	Paper Products
The Foxboro Co. (Hansong Foxboro Co., Ltd.)	1977	4/11/80	41	(40)	Machinery
Sealand Industries Inc. (Hanjin Transportation Co., Ltd.)	1978	6/2/80	155	(40)	Transportation
Signetics Corp. (Signetics Korea Ltd.)	1966	10/4/80	1,337	(100)	Electronics
Sperry Corp. (Korea Sperry Co., Ltd.)	1978	10/21/80	1,841	(100)	Services
Audio Phonics Corp. (Korea Audio-Phonics Co., Ltd.)	1979	11/18/80	1,385	(100)	Electronics
Sub-Total: Reductions			4,479		

Table 4 (Cont'd)

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U.S. Investor (Local Partner)	Year Orig. Approved	Effective Date	Amount ($000)	(% U.S.)	Products
B. Withdrawals 1/					
GTE Int'l Inc. (Samsung GTE Co., Ltd.)	1977	7/5/80	547	(49)	Electronics
Gulf Oil Corp. (Korea Oil Co., Ltd.)	1969	8/8/80	29,967	(50)	Oil Refinery
Sub-total: Withdrawals			30,514		
C. Cancellations					
Hydroculture Inc. (Korea Hydroculture Co., Ltd.)	1978	10/14/80	125	(31)	Machinery
Worcester Controls Corp. (Korea Worcester Controls Co., Ltd.)	1977	12/24/80	100	(50)	Electronics
Starlite Chemicals Inc. (Korea Starlite Chemicals Co., Ltd.)	1975	12/24/80	200	(50)	Chemicals
Sub-total: Cancellations			425		
TOTAL REDUCTIONS, WITHDRAWALS AND CANCELLATIONS			$30,939		

1/ Investments withdrawn after investments were physically effected and shares issued.
2/ Cancellations before physical investment.

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Table 5. Foreign Equity Investment By Industry (Approvals)
($ Thousands) 1/

	1979	1980	Cum. 1962 Thru 1980	%
Agriculture & Fisheries	1,314(2)	501(1)	13,947(46)	1.2
Agriculture/Forestry	361(1)	1(-)	6,360(24)	0.6
Fishery	953(1)	500(1)	7,587(22)	0.7
Mining & Manufacturing	85,769(38)	100,778(31)	826,757(739)	71.2
a. Mining	410(2)	-	2,908(13)	0.3
b. Manufacturing	85,379(36)	100,779(31)	823,849(726)	71.4
Food processing	16,837(3)	5,955(5)	25,727(17)	2.3
Textiles	534(1)	-	72,733(71)	6.3
Wood products	850(1)	-	1,163(4)	-
Fertilizers	150(-)	-	41,278(6)	3.6
Pharmaceuticals	4,025(2)	-	9,078(12)	0.8
Chemicals	8,896(6)	35,512(6)	227,373(99)	19.7
Petroleum	-	7,621(4)	31,535(4)	2.7
Ceramics	418(-)	-	12,283(30)	1.1
Steel & metals	4,464(4)	4,512(5)	56,211(68)	4.9
Machinery & parts	17,425(10)	4,925(5)	94,760(121)	8.2
Elec/electronics	24,208(5)	18,058(4)	169,523(193)	14.7
Transport equipment	980(1)	15,058(1)	47,874(9)	4.1
Others	6,590(3)	8,166(5)	23,613(105)	2.0
Social Overhead Capital and Other Services	26,257(7)	39,835(4)	313,065(77)	27.1
Banking	12,268(1)	11,727(-)	62,944(10)	5.5
Construction & Services	5,200(2)	8,833(1)	45,967(23)	4.0
Electricity	210(1)	3,185(1)	3,328(2)	0.3
Transport & Storage	-	10,304(1)	26,691(13)	2.3
Hotel & Tourism	7,879(3)	5,736(1)	174,068(29)	15.1
TOTAL	113,340(47)	141,113(36)	1,153,769(862)	100

1/ Figures in parenthesis indicate number of new projects.

Source: Economic Planning Board.

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Table 6. Foreign Equity Investment Arrivals By Industry
($ Thousands)

	1979	1980	Cum. 1962 Thru 1980	%
Agriculture & Fisheries	**1,047**	**362**	**14,506**	**1.3**
Agriculture & Forestry	643	362	7,723	0.7
Fishery	404	-	6,778	0.6
Mining & Manufacturing	**64,883**	**68,156**	**823,944**	**75.3**
a. Mining	**321**	**-**	**2,291**	**0.2**
b. Manufacturing	**64,562**	**68,156**	**826,653**	**75.1**
Food processing	10,468	1,000	14,974	1.4
Textiles	-	-	133,130	12.4
Wood products	246	313	1,793	0.2
Fertilizers	1,500	-	43,225	4.0
Pharmaceuticals	-	-	5,634	0.5
Chemicals	5,839	47,817	200,578	17.3
Petroleum	-	-	62,465	5.7
Ceramics	904	-	19,499	1.8
Steel & metals	8,616	2,537	57,974	5.3
Machinery & parts	18,315	6,216	75,830	6.9
Elec/ electronics	13,865	7,635	143,343	13.0
Transport equipment	17	-	41,382	3.8
Others	4,772	2,638	27,186	2.5
Social Overhead Capital and Other Services	**60,107**	**27,659**	**257,104**	**23.4**
Banking	10,302	-	44,879	4.1
Construction & Services	19,334	17,497	59,568	5.4
Electricity	16	95	111	-
Transport & Storage	7,246	7,726	20,351	1.9
Hotel & Tourism	24,149	2,341	132,195	12.0
TOTAL	**126,037**	**96,177**	**1,100,554**	**100**

Source: Economic Planning Board.

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Table 7. Foreign Equity Investment Approvals By Industry and Country
($ Thousands) 1/

	Total	U.S. 2/	Japan	Others 3/
Agriculture & Fisheries	13,947(46)	2,977(9)	8,813(31)	2,157(6)
Agriculture & Forestry	6,360(24)	2,727(8)	1,481(11)	2,142(5)
Fishery	7,587(22)	250(1)	7,332(20)	15(1)
Mining & Manufacturing	828,757(739)	181,756(100)	421,813(576)	223,188(63)
a. Mining	2,908(13)	-	2,318(11)	590(2)
b. Manufacturing	823,849(726)	181,756(100)	419,495(565)	222,598(61)
Food processing	25,727(17)	9,721(8)	11,336(8)	4,640(1)
Textiles	72,733(71)	2,804(4)	66,573(65)	3,156(2)
Wood products	1,163(4)	-	1,163(4)	-
Fertilizers	41,275(4)	23,300(2)	825(1)	17,650(1)
Pharmaceuticals	9,074(12)	3,133(2)	599(2)	4,842(8)
Chemicals	223,373(99)	21,058(17)	102,054(71)	104,251(11)
Petroleum	31,535(4)	741(1)	-	30,794(3)
Ceramics	12,288(20)	700(1)	10,998(13)	600(1)
Steel & metals	56,211(68)	4,444(7)	39,639(56)	12,128(5)
Machinery & parts	94,760(121)	10,391(10)	55,110(93)	29,258(18)
Elec/electronics	169,523(192)	51,465(32)	104,451(153)	13,607(7)
Transport equipment	47,874(9)	40,027(3)	6,867(5)	980(1)
Others	33,613(105)	13,715(13)	19,350(68)	548(4)
Social Overhead Capital and Other Services	313,065(77)	50,606(22)	188,480(39)	73,987(16)
Banking	62,944(10)	4,298(1)	1,343(1)	58,437(9)
Construction & Services	45,967(23)	24,714(13)	19,418(9)	1,835(-)
Electricity	3,395(2)	3,185(1)	210(1)	-
Transport & Storage	26,691(13)	14,311(6)	6,941(5)	5,439(2)
Hotel & Tourism	174,068(29)	4,100(1)	160,578(23)	9,350(5)
TOTAL	1,153,769(862)	235,341(131)	619,116(646)	299,312(85)

1/ Figures in parenthesis indicate number of new projects.
2/ Excludes foreign subsidiaries of U.S. multinationals.
3/ Includes above foreign subsidiaries of U.S. multinationals.

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Table 8. Foreign Equity Investment Arrivals By Industry and By Country

	Total	U.S.[1]	Japan	Others[2]
Agriculture & Fisheries	14,506	3,001	9,143	2,363
Agriculture & Forestry	7,728	2,753	2,653	2,323
Fishery	6,778	248	6,490	40
Mining & Manufacturing	828,944	196,250	462,939	169,755
a. Mining	2,291	-	2,026	265
b. Manufacturing	826,653	196,250	460,833	169,570
Food processing	14,974	3,464	10,935	355
Textiles	133,130	7,079	120,006	81,301
Wood products	1,793	85	1,710	7
Fertilizers	43,325	23,500	825	19,000
Pharmaceuticals	5,084	150	969	3,938
Chemicals	200,978	55,702	92,339	52,937
Petroleum	62,465	27,019	-	35,446
Ceramics	19,409	1,551	12,458	5,400
Steel & metals	57,974	2,196	38,528	17,280
Machinery & parts	75,630	5,046	50,867	19,097
Elec/electronics	143,343	34,914	98,788	9,671
Transport equipment	41,382	26,883	14,499	-
Others	27,166	7,771	18,711	684
Social Overhead Capital and Other Services	257,104	52,775	148,032	56,297
Banking	44,879	3,234	1,343	40,302
Construction & Services	52,568	34,396	20,297	4,875
Electricity	111	-	-	111
Transport & Storage	20,351	11,085	6,317	2,939
Hotel & Tourism	132,195	4,050	120,075	8,070
TOTAL	1,100,554	252,026	620,103	228,425

1/ Excludes foreign subsidiaries of U.S. multinationals.
2/ Includes above foreign subsidiaries of U.S. multinationals.

Source: Economic Planning Board.

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Table 9. Foreign Equity Investment By Size of Foreigner's Ownership
(As of 1980 on Approval Basis)

Foreigner's Ownership(%)	No. of Projects	%	Amount ($ Millions)	%
1 thru 24	43	5.0	59.2	5.1
25 thru 49	344	49.9	223.4	19.4
50	250	29.0	402.9	34.9
51 thru 99	100	11.6	131.6	11.4
100	125	14.5	336.7	29.2
Total	862	100	1,153.8	100

Source: Economic Planning Board.

Table 10. Profit Remittances on Foreign Equity Investment By Country ($ Millions)

	1979	1980	Cum. Thru 1980
U.S. 1/			
Remittances (A)	24.3	19.6	194.3
Total Arrived (B)	29.9	60.4	251.0
% A/B	81.3	32.5	77.1
Japan			
Remittances (A)	19.2	13.4	80.3
Total Arrived (B)	55.0	24.6	620.1
% A/B	34.9	54.5	12.9
Others 3/			
Remittances (A)	11.2	13.8	54.9
Total Arrived (B)	42.1	11.2	228.5
% A/B	26.6	123.2	23.8
Total			
Remittances (A)	54.7	46.8	328.6
Arrivals (B)	127.0	96.2	1,100.6
% A/B	43.1	48.6	29.9

1/ Excludes foreign subsidiaries of U.S. multinationals.

2/ Includes above foreign subsidiaries of U.S. multinationals.

Source: Economic Planning Board.